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ABSTRACT

One of a series of units on business issues designed for secondary school students, this packet focuses on the landlord-tenant relationship as it is affected by political and economic forces. A teacher's guide and student materials are provided in two separate sections. Following an overview of objectives and activities, the teacher's guide outlines five daily lessons. Also included in this section are discussion guides, background readings, student handouts, answer keys, and recommendations for using a business professional as a classroom resource person. The student materials component consists of activities which engage students in examining sources of landlord-tenant conflict, the rights and responsibilities of each party, and pros and cons of rent control. Five activities introduce students to these issues through a variety of teaching strategies including an analysis of a newspaper ad which illegally discriminates against certain groups of tenants, a role play in which mediators try to resolve rental disputes, a reading on supply and demand in the housing market, and a simulation of a city's rent control hearings. Homework assignments are also provided. (LP)

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LANDLORDS AND TENANTS IN CONFLICT

Instructor's Guide

Authors: Phyllis Maxey
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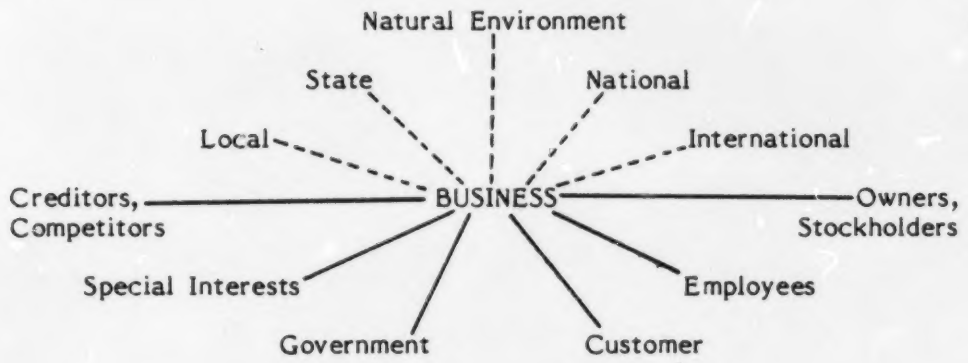
Business Issues in the Classroom
Constitutional Rights Foundation
Los Angeles, California
Revised, 1983

SO 015 377

LANDLORDS AND TENANTS IN CONFLICT

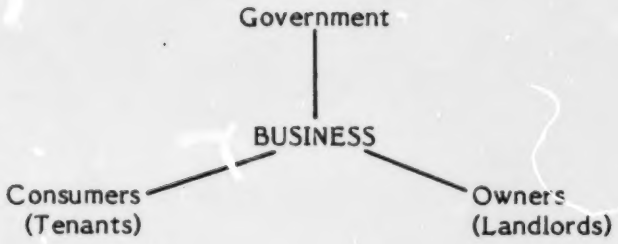
OVERVIEW

Business Issues in the Classroom (BIC) introduces students to exciting, difficult, and complex decisions that face the business community today. Case studies and activities help students understand the setting in which American companies must function. This business environment includes many groups with conflicting interests: stockholders, consumers, employees, special interest groups, business competitors and creditors, and government. These groups affect business and, in turn, are affected by business decisions. Each BIC lesson plan focuses on a specific issue which highlights a particular relationship in the business decision-making environment.



THE BUSINESS DECISION-MAKING ENVIRONMENT

This unit introduces students to the landlord-tenant relationship as it is affected by both political and economic forces. The central issues presented involve the rights and responsibilities of landlords and tenants, pros and cons of rent control and condominium conversion.



THE LANDLORD-TENANT ENVIRONMENT

Activities include analysis of a newspaper ad which (illegally) discriminates against certain groups of tenants, a reading on the legal rights and responsibilities of landlords and tenants, a role play in which mediators try to resolve landlord-tenant disputes, a reading explaining the principle of supply and demand as it affects the housing market, and a simulation of a city's rent control hearings. A vocabulary worksheet and reading review questions help students learn the new terms presented in the lesson. Simulation roles are included in the Instructor's Guide.

OBJECTIVES

Students will be able to:

1. describe the rights and responsibilities of both landlords and tenants.
2. explain the principle of supply and demand as it affects the housing market.
3. define rent control and explain its goals.
4. list alternatives to a rent control policy.
5. make a decision supporting or opposing rent control in the fictionalized Urban City case.

TIME FRAME

5 class periods + homework assignments.

CLASSROOM APPLICATIONS

Day 1 Discussion: Introduce the unit using the introduction on p. 1 and the activity on p. 2. The ad in the newspaper specifically eliminates children, pets and students as tenants. This is illegal discrimination in some places. A discussion guide for the teacher is on p. 6 of this Instructor's Guide. Students should read "Landlords, Tenants, and the Law," p. 3-5, and the questions that follow on p. 6 for homework.

Day 2 Role Play: Refer students to the role play on p. 7-8, "Landlord, Tenant, and Mediator." Read the first three paragraphs together so that the directions are clear to all class members.

Then divide the class into groups of three. Have each group begin with a different case so that they won't be listening to each other, but focusing on their own group. They should complete as many cases as possible before you call time.

Allow 20 minutes for the role plays. Then review each case with the students while they are still in their small groups. Ask several mediators to explain their solutions and report whether or not the tenant and landlord accepted their suggestions. Ask students which of the three roles was the easiest to play and which was the most difficult.

Suggested answers to these six cases can be found on p. 7-8 of this guide. Students should read "Housing Supply and Demand," p. 13, and answer the questions on p. 14 for homework. This is a difficult reading for those with a poor background in economics.

Day 3 Discussion: Depending on the abilities of your students, you may want to read this selection on "Housing Supply and Demand" together, reviewing vocabulary and student comprehension as you go. If students are more advanced, use the reading review questions to discuss the reading. The Vocabulary Worksheet can be used to assess students' understanding of both unit readings.

Assign the roles of the witnesses who will be making public statements at the hearing tomorrow:

Dr. Lorenzo, Economics Professor
Mr./Ms. Mason, Urban City Apartment Association
Mr./Ms. Dalton, Urban City Tenants Association
Dr. Gordon, Sociology Professor
Mr./Ms. Larson, Urban City Housing Council
Mr./Ms. Kubrick, Housing Network

Day 4 Simulation: Introduce Urban City's Uproar by reading the background materials on p. 15. Refer students to the decision-making guide on p. 17 which each of them will complete by the end of the simulation. You may wish to review some of the policy options listed at the bottom of the Decision Guide. Distribute role descriptions, found on p. 14-18 of the Instructor's Guide.

Have students move their desks in an arrangement similar to the one on p. 15 in the Student Materials. The chairperson should begin calling witnesses, following the time limit of five minutes per speaker.

After all testimony and questions have been completed, have each student make a decision on which alternative he or she would choose. The City Council will report its decision tomorrow. Collect all Decision-Making Guides.

Day 5 Discussion: Debrief the simulation using the following discussion questions. You may wish to ask a resource person to join your class for the debriefing and discussion.

Discussion Questions for URBAN CITY'S UPROAR:

1. How did the City Council vote? For what reasons?
2. How did the rest of the class vote? Why?
3. The instructor should use the chalkboard to write a Decision-Making Chart: "Let's review the arguments we heard about rent control. Who can give me an argument that supports rent control?" Completed chart may include the following arguments from the testimony:

RENT CONTROL?

PRO	CON
Strong need for housing	Will discourage investors
Landlords are price gouging	Property values will decline
Free market system is not working	Too much government regulation
Landlords and tenants should share the costs	Free market system can provide more housing
More people will be on welfare without rent control	Landlords should have profits determined by the market
People on fixed incomes can't compete with young for expensive housing	Will discourage new building construction
Studies show that rent control does not discourage new apartment construction	Rent control causes illegal acts by landlords
Rent control can improve neighborhoods and the condition of apartments	Property rights of landlords are protected by law -- there is no right to housing

4. What will happen to the elderly and the poor if the government does nothing?
5. Do you think rent control is unconstitutional because it violates the landlords' property rights?
6. Do you think people have a "right" to decent, affordable housing?
7. Does a rent control policy encourage more rental housing to be constructed?
8. What could the government do to provide an incentive to builders and developers to construct more low-income rental housing? Additional information may be found on p. 9 of the Instructor's Guide if you wish to expand this lesson.

USING A RESOURCE PERSON IN THE CLASSROOM

The Business Issues in the Classroom Program (BIC) has a talented group of business professionals who are prepared to teach one day of this lesson. At least two weeks before you want a resource person, call the Constitutional Rights Foundation at (213) 473-5091 and ask the BIC placement coordinator to arrange a classroom visit.

The business resource person could participate in the following ways:

Day 3: Business person leads a discussion of the reading, "Housing Supply and Demand." (For advanced students only)

Day 5: Business person debriefs the simulation, URBAN CITY'S UPROAR, and answers student questions about the rental housing market.

Discussion Guide for APARTMENTS FOR RENT, p. 2

1. The ad fails to state the cost of renting one of the apartments and when the apartments are available.
2. A landlord may not want children and students because of noise or damage that might result from these two groups. A retired couple or a busy executive might be far quieter tenants. Pets can damage the landlord's property and disturb other tenants.
3. Answers will vary.
4. It is illegal to discriminate on the basis of race, religion, color, national origin, ancestry, sex, marital status, as well as against the blind, handicapped, or physically disabled individuals in the state of California. Some cities, such as Los Angeles, also bar discrimination against students. These laws are justified on the basis of government protection of the health and welfare of the citizens and protecting citizens' equal opportunities to find places to live.
5. Tenants have the rights stated in #4. If an individual feels that the landlord has unjustly discriminated against him or her, the person should contact the city's Department of Consumer Affairs, the Fair Housing Council, or the federal government agency -- the Department of Housing and Urban Development (HUD).
6. Actions (a) and (b) are illegal. Action (c) is legal in most places to provide housing for senior citizens that is specifically designed for that age group.

Answers to Reading Review, LANDLORDS, TENANTS, AND THE LAW, p. 6

1. The term "private property" refers to a citizen's right under the U. S. Constitution to private possessions and real property (land). This property cannot be taken away by the government without due process of law.

2. Rent is a fee paid for the use of another's property. A lease is a written contract between the landlord and tenant setting forth the conditions of the rental. A security deposit is money paid by the tenant and held by the landlord in case there is damage done "beyond reasonable wear and tear."
3. Laws that restrict the freedom of landlords are local housing codes and local, state, and national laws that prohibit certain kinds of discrimination. Rent control laws restrict both landlords and tenants by determining rent levels. Tenants are legally responsible for paying the rent and for proper use of the rental property as set forth in the lease.
4. Three responsibilities of landlords are: maintenance of the property, provision of the "quiet enjoyment of the premises" by the tenants, and return of the security deposit.
5. Two responsibilities of tenants are to pay the rent and to take care of the rental property, using it as stated in the lease.
6. Answers will vary.
7. Answers will vary.

Role Play, LANDLORDS, TENANT, AND MEDIATOR, p. 7-8

1. A tenant has the right to quiet enjoyment of the premises, and a landlord may enter the apartment without permission only in emergencies. Was this an emergency?
2. The tenant has not lived up to his or her responsibilities, but the landlord could treat this one incident as an exception and give the tenant another chance. In some places, this incident would be sufficient grounds for eviction.
3. In some cities and states there are laws requiring landlords to pay interest on the security deposit. Los Angeles has no such law, nor does California. If the tenant could get such a provision written into the lease, then the landlord would voluntarily agree to pay interest on the money, and could legally be held to such an agreement.
4. Most landlords will give tenants a warning about late payments. In some places this late payment would be grounds for eviction.

5. The question here is whether the entire carpet needs to be replaced or just a section. The damage by the tenant would usually be considered beyond the normal wear and tear.
6. If the rent is paid on a monthly basis, the landlord must give a month's notice that there will be a rent increase. If there is a lease, the rent can not be raised during the period covered by the lease, unless the lease specifically states that the landlord may raise the rent at will.

Answers to Reading Review, HOUSING SUPPLY AND DEMAND, p. 14

1. A housing crisis occurs when there are many people seeking housing but the supply is insufficient to meet the demand. (The Department of Housing and Urban Development [HUD] considers a housing crisis to occur when the vacancy rate in apartments is as low as 5%.)
2. Demand shows how much of a particular item consumers are willing to buy. Supply shows the varying amounts of a product that producers make available at varying prices. The chart showing supply and demand in equilibrium shows the price at which consumers are willing to buy all that is available. At a lesser price, suppliers are less willing to sell. At a higher price, consumers are less willing to buy.
3. Either of these will produce an increase in price.
4. The forces of supply and demand did not operate in the short run because there were other factors in the general economy that were more important. One of these was government spending which contributed to the high interest rates. Building new housing is very expensive if the interest rates are high. Inflation increases prices in all areas of the economy including housing.
5. Rent control is a complex system in which a government agency controls rent increases in a certain geographical area. Rent control can be based on percentage increases or on a case-by-case basis. People who rent (tenants) will be more likely to favor rent control than people who own property (landlords).
6. Many landlords consider rent control to be unnecessary government meddling and bureaucracy. Some consider it to be an unconstitutional transfer of the landlord's income to the tenants.

7. Condominiums are buildings in which the occupants own their apartments rather than rent them from a landlord.
8. A builder like Jack Stevens would make more money (assuming there is a demand for condos) building condos than single family homes. The cost of construction would be less and the total sales would be greater because you can double or triple the number of units on the same property.
9. Assuming there is a market for condos, Nancy Lee would make more money converting her apartment building to condos because she could sell the units for more than she could gain in rent.
10. Answers will vary.

Answers to Vocabulary Worksheet, p. 18

1. MARKET SYSTEM	2. RENT	3. EVICTION
4. LEASE	5. CONDOMINIUM	6. TENANT
7. RENT CONTROL	8. LANDLORD	9. SECURITY DEPOSIT

Answers will vary in the listing of landlord-tenant conflicts.

Landlord responsibilities: Maintenance, providing quiet enjoyment of the premises for tenants, return of security deposit.

Tenant responsibilties: pay rent and proper use of the premises.

TEACHER BACKGROUND

Teachers may wish to use the following documents to expand this unit:

1. Santa Monica Rent Control Board's information requirements on landlord's income and expenditures (p. 10). Landlord is seeking rent increase.
2. State of California Department of Consumer Affairs provides a booklet answering frequently asked questions about landlord-tenant relationships. The Inventory sheet (p. 11) is produced by the Department.
3. Newspaper article (p. 12-13) on landlord-tenant conflicts in the city of Los Angeles.

SANTA MONICA RENT CONTROL BOARD
1685 Main Street, Santa Monica, 90401
(213) 394-9661

XIV. Summary of Income and Expenses	1981	1982	1983
1. Total Collected Gross Income (Part X, Line 7)			
2. Operating Expenses* (Part XI)			
3. Operating Income (Subtract 1 - 2)			
4. Real Property Taxes			
5. Interest on Debt Service			
6. Capital Improvements (Total Annual Amortization from Part IX)			
7. Subtotal (Add 4 + 5 + 6)			
8. TOTAL PROFIT (Subtract 3 -7)			
9. Principal on Debt Service Payment			
10. CASH FLOW PROFIT (Subtract 8 - 9)			

*XI. Operating Expenses

1. Electicity			
2. Gas			
3. Water and Trash			
4. Insurance (fire and liability)			
5. Maintenance (Itemize on Part XII			
6. Repairs (Itemize on Part XIII)			
7. Advertising			
8. Accounting			
9. Legal			
10. Telephone			
11. Travel			
12. Taxes and License Fees (do not include property tax)			
13. Management (actual monies paid to separate management firm)			
14. Other (Itemize below)			

INVENTORY CHECKLIST

This inventory form is for your protection.

You and your landlord should fill it out within three days of your moving in. Then, at least one week before moving out, you should arrange a time to make the final inspection. Both you and your landlord should sign and receive a copy of the form following each inspection.

In completing the form, be *specific* and check carefully. Among the things you should look for are dust, dirt, grease, stains, burns, damages and wear.

Additions to this list may be made as necessary. Attach additional paper if more space is needed, but remember to include a copy for both parties. Cross out items which do not apply.

Apartment Name and Address _____

_____ Unit No. _____

	ITEM	QUANTITY (if applicable)	CONDITION ON ARRIVAL	CONDITION UPON DEPARTURE Note deterioration *beyond reasonable use and wear* for which tenant is alleged to be responsible
KITCHEN	Cupboards			
	Floor Covering			
	Walls and Ceiling			
	Counter Surfaces			
	Stove & Oven, Range Hood, (broiler pans, grills, etc.)			
	Refrigerator (ice trays, butter dish, etc.)			
	Sink and Garbage Disposal			
	Tables and Chairs			
	Windows (draperies, screens, etc.)			
	Doors, including hardware			
	Light Fixtures			
LIVING ROOM	Floor Covering			
	Walls and Ceiling			
	Tables and Chairs			
	Sofa			
	Windows (draperies, screens, etc.)			
	Doors, including hardware			
	Light Fixtures			

	ITEM	QUANTITY (if applicable)	CONDITION ON ARRIVAL	CONDITION UPON DEPARTURE Note deterioration *beyond reasonable use and wear* for which tenant is alleged to be responsible.
BATHROOM	Floor Covering			
	Walls and Ceiling			
	Shower and Tub ((walls, door, tracks)			
	Toilet			
	Plumbing Fixtures			
	Windows (draperies, screens, etc.)			
	Doors, including hardware			
	Light Fixtures			
BEDROOM	Floor Covering			
	Walls and Ceiling			
	Closet, including doors & tracks			
	Desk(s) and Chairs			
	Dresser(s)			
	Bed(s), (frame, mattress - check both sides for stains, pads, box spring)			
	Windows (draperies, screens, etc.)			
	Doors, including hardware			
	Light Fixtures			
HALLWAYS OR OTHER AREAS	Floor Covering			
	Walls and Ceiling			
	Closets, including doors & tracks			
	Light Fixtures			
	Air Conditioner(s) Filter			
	Heater Filter			
	Patio, Deck, Yard (planted areas, ground covering, fencing, etc.)			
	Other (please specify)			

Beginning Inventory Date _____ Signature of Tenant _____

Signature of Owner or Agent _____

End of Term Inspection Date _____ Signature of Tenant _____

Signature of Owner or Agent _____

Inventory prepared by University of California, Davis Housing Office

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URBAN CITY
RENT CONTROL HEARINGS

The following are transcipts of statements make by six people at the Urban City Council rent control hearings.

1. Dr. Lorenzo
Professor of Economics, Urban City University

In a free market economy, price and supply are regulated by demand. For example, if there is a great demand for more fast food restaurants, more and more investors and business men and women will build taco stands, hamburger and pizza places. If there are too many fast food places, some will go out of business and no investors will be interested in building new ones. All of this happens without government getting involved. It's the free market economy working most efficiently.

If there are not enough apartments to fill the housing demand, then demand will cause rents to increase. Also, if demand is great, then developers will be motivated to build new apartment units. If investment money for building is available and reasonable, the supply on apartments will increase, and rents will become more stable. Controls interfere with supply and demand.

However, the demand for apartments in Urban City has been great. Many people -- singles, young married, the elderly, and those on fixed incomes -- are unable to find affordable rental housing or to buy their own homes due to high prices and interest rates. Rising costs of borrowing money have also held back investors and allowed the supply of apartments to lag behind demand. We have new construction of condos and luxury apartments, but that doesn't help families and the elderly.

I would like to recommend that the City Council use tax monies to help out those who are most hurt by this situation. But under no circumstances can rent control be justified. It discourages the very thing we need most: more investors interested in constructing apartment buildings. They will put their money into other businesses that will yield greater profits if rent control is in effect.

In other words, rent control increases the housing shortage. If the poor and people on fixed incomes need help, then give them money, a housing subsidy, to help out. But don't bring us rent control. As soon as interest rates come down, we'll have plenty of new housing being built.

2. Mr./Ms. Mason
Representative for Urban City Tenants

Housing is a basic human need. All people need shelter and for that reason the housing industry should not be operated strictly for profit.

Right now the free market system is not protecting tenants. In spite of high rents, developers are only building luxury apartments. They are not helping the middle and low income people when they build these luxury developments. Landlords are gouging the renters. They are raising rents much higher than any increase in their operating costs. They are taking advantage of the situation of too many renters and too few apartments.

Landlords are not the only ones singled out for regulation in order to meet the public's needs for better services. Look at the gas or telephone companies or the railroads. These industries are regulated in the public interest. Why not also regulate housing in the public interest?

Landlords believe controls will stop new construction and investments but we can create a rent control policy which exempts new construction from regulation. Those against rent controls claim that apartments will get more and more run down because landlords won't pay for maintenance costs in order to make a profit. Rent controls can permit costs of maintenance and improvements to be passed on to tenants. It's the price gouging that will be stopped.

Landlords need to be guaranteed a reasonable profit level. Tenants need to be guaranteed a place to live that they can afford and still have money left to pay for food, doctor's bills, education, a car, and other expenses.

We have to do something immediately to control rents. The situation is critical. What is needed is a well-thought-out rent control policy. We need a rent control board appointed by the mayor. Both landlords and tenants can take their problems to this board. If there are good reasons for raising the rent, the board can give the okay. If there are repairs that should be done -- the board can take action to get the landlords to cooperate. Let's do something to give people a decent place to live at a fair rent.

3. Mr./Ms. Dalton
President, Urban City Apartment Association

I was a high school drop-out but I've worked all my life to get where I am now. I'm a decent landlord and I care about my tenants. But I see this issue as a fight to preserve what I believe in -- freedom.

Many apartment building owners have been able to climb the economic ladder through hard work and careful management. It's the American Dream we've tried to achieve, to be able to send our kids to college and pay for a comfortable retirement. The U. S. Constitution protects property and ownership rights. With rent control you are trying to deny my right to profit from hard labor. You can't take my property and freedom without due process of law.

If you pass rent control, I'm going to sell my building and invest in another city that believes in the free market system. So will many other investors. Buildings will deteriorate because there is no advantage in keeping them up. And, if you think there is a housing shortage now, just wait.

This city is an attractive growth area. We need to provide for the young people and professionals who are moving here. They have housing needs too. People who can't afford this area will have to move and make room for those who can. That's the way the system works. Everything costs more nowadays, why shouldn't rents go up too?

Don't you people realize that if rents are raised to reflect market conditions, new building investments will increase and soon the problem will fix itself? There is no need to create another government bureacracy, and waste money on the salaries of a rent control board, public hearings, lawyers' fees and paper work. Let the system work without government. Those people who can't afford Urban City's apartments will just have to live further away where it's cheaper or move to a different city.

It's unconstitutional for you to take money from landlords and give it to tenants. That's what you do when you set rents below the free market rate. It's not fair.

4. Professor Gordon
Rent Control Specialist, Professor of Urban Sociology
Urban City University

Rent control can work. Controls can be created that meet the needs of both landlords and tenants.

I have completed research studies of 100 cities with and without rent controls. These studies prove controls did not discourage new apartment construction and the maintenance of buildings did not decline. Many studies that show the opposite results have been sponsored by real estate groups and landlords. They are based on unrepresentative samples, poor statistical procedures and faulty logic.

These faulty reports have been used by landlords to support their arguments. They are myths. Rent controls do not cause buildings to get run down. Rent controls do not discourage new apartment construction. In most cities new contruction is specifically excluded from controls. What slows things up are all of the government building permits and red tape -- this discourages both builders and investors.

Investors will continue to be interested in rental housing because they know there is a demand. Controls guarantee them a reasonable return on their investment. If maintenance costs increase or improvements in the apartment building are made, rent control policy can allow rent to be raised so tenants and landlords share costs. If buildings are maintained, property will not lose its value. In fact, in some cities neighborhoods have improved because the Rent Control Board required landlords to maintain their property according to the law.

In my study I found that deterioration of housing was as bad or worse in those cities without rent control. Rent control can mean fair treatment for both

landlords and tenants. With evidence of income and operating expenses, a rent control board can decide on a case-by-case basis if a price increase is justified.

5. Mr./Ms. Larson
   Director of Research and Planning for the Urban City Housing Council
   (A city association of real estate firms and owners of large apartment complexes)

Builders must be allowed to build in Urban City. This is the only way to solve the apartment shortage problem. If controls are put into effect, investors won't put money into rent controlled buildings or areas. They will put their money where they can get the best profit for their dollars. Banks will be reluctant to loan money to builders because the profits will not be there to use to pay off the loan. The builders will be ruined and construction workers unemployed.

Property values will go down because the worth of buildings is determined by how much income they bring in. The total result will be a worse housing shortage which is exactly the problem we are trying to fight. The final result will be a tax increase for the homeowner because the rental property values will be decreasing, and government will need money to replace that loss.

I can cite evidence from studies made in cities all over the country to prove I am right. With rent control, builders will turn to condominiums and luxury apartments. Landlords will suffer. Don't tell me that the costs of improvements will be passed on to the tenants. By the time some government rent control board hears the case, it will be a year or more after the new roof or new sidewalk has been put in. The landlord gets stuck with the cost in the meantime. It's unfair.

Look at New York City. Rent control has produced all kinds of illegal acts. Some landlords charge a fee for giving a tenant a six-month lease. Some require tenants to buy furniture or pay a non-refundable key deposit of $200. Landlords have been forced to find a way to survive. Discrimination against certain groups increases because they are seen as undesirable tenants. If you can only charge one rent, a landlord might as well lease the apartment to a stable married couple with no kids, good jobs, and from good families. Other people aren't worth the risk.

You're asking for trouble with rent control. You're setting up a bad relationship between landlords and tenants -- increasing hostility and, in the end, increasing rents.

6. Mr./Ms. Kubrick
   Representative of the Housing Information and Action Network

Let me tell you what is really going on with this dispute over rent control. The landlords and speculators in the real estate market don't want anyone interfering with their outlandish profits. They have no concern for the senior citizen, young family, college student, or any other group that is trying to make it in these hard times. Inflation is cutting into people's buying power.

Yet landlords want to take advantage of a situation in which they have plenty of people they can rent to because there is very little available space.

I'm sure some landlords are not price gouging. But let's get after the ones that are. There are landlords who have no reason to raise rents by 100%, but because there are buyers willing to pay that, they go ahead and raise them. Not all of us are able to pay that share of our income for housing. Who is going to help us?

It's time to give the middle income and poor people a fair shake. Look at the case of Mr. and Mrs. Douglas. They are both in their seventies, have lived in Urban City for 40 years, the first 20 years in an apartment on First Street. Social Security payments allow them to eat meat once a week, buy a few articles of clothing a year, never travel and never go to the movies or out for a nice dinner. With inflation driving up costs and landlords gouging the renters, the Douglasses cannot survive. They have a fixed income. Their savings are gone and they live on Social Security. Where are they supposed to move? Leave their home of 20 years and move to a neighborhood full of gangs and crime, where they can afford a run down apartment, but their very lives are in danger?

And they aren't the only ones in trouble. Thousands of single parents, young people, old people, handicapped people are in the same boat. It's the responsibility of this City Council to see that something is done. And, don't forget the cost of not helping: more people on welfare, seeking public assistance of some kind. When rents consume so much of a person's monthly income, they need help buying food, clothes, and other essentials. Tenants need your help!

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Student Materials

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Constitutional Rights Foundation
Los Angeles, California
Revised, 1983

LANDLORDS AND TENANTS IN CONFLICT

Sometime now or in the future, the conflict between landlords and tenants will involve you or your community. Tenants are consumers of housing; they want quality at low prices. Landlords are the owners of rental apartments; they are business people who want a good return on their investment. You might be either one of these people. Or you might someday have a job in city government as a mediator resolving conflicts between landlords and tenants. Perhaps you will work for a management company that handles rental properties, or work as a building manager who lives with the tenants and deals with the day-to-day problems.

The relationship between landlords and tenants involves economics, government, the legal system, and human relations. Both sides would benefit from a greater understanding of the other's point of view and knowledge of their own responsibilities. In this unit we will look at the sources of landlord-tenant conflicts. You will have an opportunity to learn the pros and cons of rent control, a government program to limit rent increases. You will meet landlords and tenants facing a housing crisis and hear their solutions to the problem.

To help you understand these issues, this unit includes the following learning activities:

1. ACTIVITY: Apartments for Rent
2. READING: Landlords, Tenants, and the Law
3. READING REVIEW: Questions to Answer
4. ROLE PLAY: Landlord, Tenant, and Mediator
5. READING: Housing Supply and Demand
6. READING REVIEW: Questions to Answer
7. SIMULATION: Urban City's Uproar: Rent Control Hearings
8. VOCABULARY WORKSHEET

APARTMENTS FOR RENT

1 or 2 bedrooms, pool, sauna
Luxury apartments
NO Children, NO Pets, NO Students
7439 Montrose Avenue
Los Angeles, CA
For more information
call the manager at 555-2610

Discussion Questions

1. What does this advertisement fail to tell you about the apartments?
2. Why might this landlord not want to rent to families, students, retired people?
3. Do you think property owners should have the right to choose certain types of people to live in their building?
4. Is it legal for a landlord to discriminate among different groups of people when renting an apartment?
5. What rights do tenants have when seeking housing? What should you do if you think the landlord discriminated against you?
6. Are any of these actions illegal?
   a. Landlord does not rent to Jewish people
   b. Landlord does not rent to single women
   c. Landlord offers apartments for senior citizens only

LANDLORDS, TENANTS, AND THE LAW

In our society, private property rights are protected by law. Owners of land have the right to use the land and to receive income from it. An owner of a piece of property might do any or all of the following: sell part of the property, divide the land among his/her children as their inheritance, give someone the right to cut down trees on the land, give another person the right to take water from the stream, give another person the right to explore for oil or minerals. The owner can charge a fee to individuals who want to use the property. Rent is the price paid for use of the property. In a country such as the Soviet Union, individuals do not have such property rights. The land is owned by the government on behalf of the Russian people. Rent is paid to the government rather than to an individual landowner.

Private property rights are not unlimited rights, however. Landowners must obey laws such as zoning requirements, local housing and safety codes, and federal and state laws that prohibit discrimination against people on the basis of race, sex, national origin, color, or religion.

The relationship between landlord and tenant is described in a written contract called a lease. The landlord is the owner of the property. The tenant is the renter who pays a fee (rent) for the right to possess the landlord's property for a certain period of time. The lease usually states the amount of rent to be paid and the date when payments are due, the responsibilities of the tenants, and the causes for eviction. Eviction is a formal process in which a landlord gives a tenant written notice that he or she must leave the apartment by a specific date. If the tenant refuses, the landlord can begin legal proceedings to remove the tenant. Failure to pay rent, disturbing other tenants, or failure to abide by the conditions of the lease (no pets, for example) are reasons for eviction.

Responsibilities of Landlords

In most places the laws defining the responsibilities of landlords have been revised to hold the landlords more accountable than in the past. Under these laws, the landlord has the duty to provide a place "fit for humans."

Plumbing, heat, and electricity are thus required. City building, housing, and safety codes have specific requirements for rental housing including the amount of floor space per occupant. The landlord is responsible for major repairs to maintain the building such as fixing a leaky roof or replacing a broken step.

Another responsibility of the landlord is to provide tenants with "quiet enjoyment of the premises." A tenant should be able to live without interference from the landlord or other tenants. The landlord has no right to enter a tenant's apartment without permission unless there is an emergency. With 24 hours notice, the landlord may enter the apartment for repairs or to show the apartment to prospective tenants. The landlord is responsible for keeping tenants from disturbing each other -- loud parties, unruly children, and practicing the drums may disrupt others' peace and quiet.

The landlord is responsible for returning the security deposit when the tenant leaves. A security deposit is money paid by the tenant and held by the landlord, in case there is any damage done to the rental property. In some states (not California) the landlord is required to pay interest on the money from the security deposit. Most states do not allow the security deposit to be greater than two months rent.

Tenant's Responsibility

The tenant has the responsibility to pay rent according to conditions of the lease. Failure to do so will lead the landlord to begin eviction proceedings to have the tenant and any personal belongings removed from the apartment. The landlord may be allowed to keep the security deposit if the tenant owes rent under the conditions of the lease. A landlord can raise the rent as high as market conditions will permit unless the community has a rent control law limiting increases. The length of the notice time of a rent increase must be at least equal to the time between rental payments. For example, if rent is paid on the first of every month, then notice can not be less than 30 days. If the renter has a year's lease, the rent can not be raised during the lease, unless the agreement allows such an action.

The tenant also has the responsibility to use the rental facilities properly. This includes keeping the apartment clean, using the proper waste containers,

preventing damage to such things as rugs, drapes, and walls by family members or pets. Painting the walls or making nail holes for shelves or pictures are tenant actions that often must be approved by the landlord. Before signing a lease, the tenant and the landlord can take an inventory of the apartment, noting the condition of the property. This inventory can then be used when the tenant leaves, noting any damage beyond "reasonable use and wear."

READING REVIEW

1. What does the term "private property" mean?
2. What is rent? a lease? a security deposit?
3. Give examples of laws that restrict the freedom of landlords and tenants.
4. List three responsibilities of landlords.
5. List two responsibilities of tenants.
6. Make a list of possible disputes between landlord and tenants. Are the duties of each always clear?
7. How would you describe a good working relationship between a landlord and the tenants of his or her building?

LANDLORD, TENANT, AND MEDIATOR

Most cities or counties offer landlords and tenants the services of a government agency to help them resolve their disputes. These agencies employ mediators who investigate a complaint by either party and attempt to resolve the conflict. A mediator can not force the parties in the dispute to accept his or her suggestion. An unresolved case must go to Small Claims Court, Municipal Court, or a special Landlord/Tenant Court. If the case involves discrimination, the tenant may be referred to a special government agency that handles such matters.

The following disputes involve conflicts between landlords and tenants. You will play the role of either the landlord, the tenant, or the mediator in one case, and then play a new role in the next case. Your class will be divided into groups of three. Within your group of three students, change roles with every new case so each person has an opportunity to be all three of the parties involved.

Read the dispute aloud. Decide who will play each role. The tenant and landlord present their arguments to the mediator. The mediator listens and decides what is fair in this case. The mediator suggests a resolution to the dispute. If the landlord and tenant do not agree, then the case might go to court or be referred to a government agency for investigation. Move on to the next case after the landlord and tenant accept/reject the mediator's suggestion.

Landlord/Tenant Disputes

1. The landlord enters a tenant's apartment without the tenant's permission. The tenant is working and not home at the time. The landlord said he/she was investigating the source of a strong, unpleasant smell in the building.
2. For the first time in two years, the tenant has a big, noisy party that lasted until 4:00 a.m. This is the first noise problem created by this tenant. The landlord wants to evict the tenant for ruining others' "quiet enjoyment of the premises."
3. A tenant of an expensive apartment building must pay $1600 as a security deposit (first and last month's rent). The tenant wants the landlord to pay interest on the deposit during the year (or more) that the landlord holds

this money. At 10% interest, the tenant would receive $1760 back after a year, rather than just the original $1600.

4. The tenant is 5 days late paying his/her rent. The landlord wants to evict him/her.
5. The tenant burns a hole the size of a quarter in the living room carpet. The landlord wants to use the security deposit to replace the living room carpet.
6. The landlord gives the tenant 30 days notice that the rent will increase from $260 a month to $360 a month. The tenant complains that he/she can not pay the extra $100 on such short notice.

HOUSING SUPPLY AND DEMAND

The business of housing the Amercian people involves many different industries and groups: builders, developers, investors, lenders, realtors, construction unions, landlords, and homeowners, as well as local, state, and federal government agencies. The government establishes building and housing codes, requires inspections and licenses, and controls zoning or land use. Some areas are zoned for residential purposes, others are business districts.

In recent years many communities have experienced a housing crisis. Many people have found it difficult to locate affordable, decent places to live. Elderly people who have lived in an apartment for 35 years or more, suddenly find themselves facing a difficult search and a move to a new place. Rents have skyrocketed, sometimes increasing more than 100%. Young and old, families, minorities -- all are competing for available space. Why has this situation developed? Let's look at two important factors, our economic system and the role of government in the economy.

Supply and Demand

In our society, one of the important determinants of how much things cost is the supply and demand ratio. This is true in market-based economies where competition among buyers (demand) affects both supply and price. When the supply of housing equals the demand for housing, we say the market has cleared. It is balanced between these two forces as shown in Figure 1.

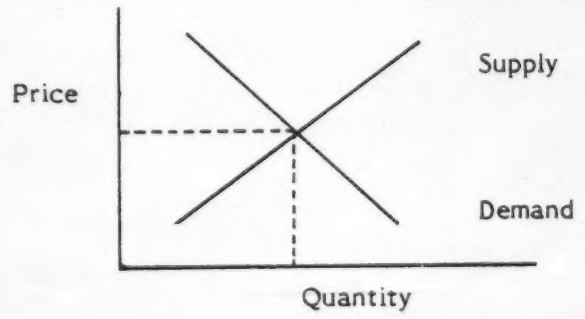


Figure 1.

If we have an increase in demand (D to D') or a reduction in supply, the result in both cases will be higher prices as shown in Figure 2. This is the situation we face today: there are more people who want rental housing than there are rental units to be had at that price.

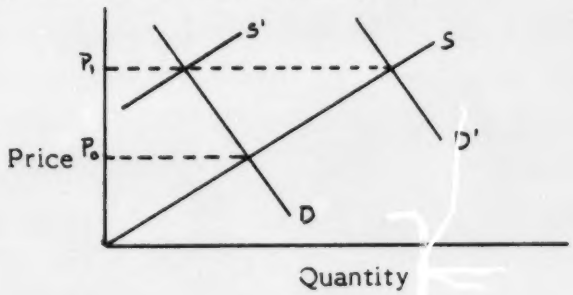


Figure 2.

What is supposed to happen according to supply and demand theory is as follows. Given the large demand and inadequate supply, investors will rush to build more rental units. In the meantime, renters will have to substitute other, less desirable housing while the supply catches up with the demand. This may mean travelling long distances to work or living in unattractive or crowded apartments.

The solution to the crisis then, is provided by the market. But in 1980 there was very little construction of middle and low-income rental housing going on in America. What happened to the market system? We need to look at some other factors.

Inflation during the 1970s resulted in rising prices and lower buying power for the average consumer. The goverment had large budget deficits, thus requiring it to borrow money. Government borrowing makes money less available to private borrowers and also drives up interest rates, the cost of borrowing money. When interest rates are high, it becomes difficult for builders and apartment complex developers to get loans to finance projects. When investors buy an apartment building, they usually get a mortgage which is a long-term loan to finance the purchase. Loan payments are much higher when interest rates are high. Thus landlords raise rents as their loan costs, utilities, and maintenance expenses increase.

Tenants who had experienced small rent increases for years were now faced with jumps of 60% or more on their rents. The market conditions were catching up with the rental market. Retired people with fixed incomes were unable to keep up with the rising costs of housing, food, transportation, and medical care. They joined the poor in searching for decent affordable housing. Newcomers to a community had difficulty finding rental housing due to low vacancy rates. Renters began to demand that government step in and put a limit on rent increases. Landlords protested such government intervention in the free market system, claiming it would just make things worse.

Rent Control

Rent control is a term that refers to various methods used by government to restrain increases in a given area. It is not a voluntary program, but one administered and enforced by the government. One method of rent control is a rent freeze which stops all rent increases for a short period of time. A rent freeze may be used in times of war or as a temporary measure while a city decides if it wants rent control.

Modern rent control is a complex system in which a government rent control board and its staff approve all rent increases. Operating costs and building improvements are examined on a case-by-case basis. Owners must file papers requesting a rent increase. The Rent Control Board may allow none, some, or all increased owner costs to be passed onto tenants. In many cities, new construction and luxury apartments are exempted from rent controls.

Another rent control system uses a base period to determine all future rent increases. For example, rents on individual apartments are "rolled back" to what they were in January 1982. Yearly increases might be fixed at 5% on rent for existing tenants. An increase of 10% might be allowed when the old tenants leave and the apartment is rented to someone new. Thus in the same building there can be identical apartments with two very different rents; it depends on how long the tenant has lived there.

Rent control is a hotly debated topic. We will look at the arguments over this issue later in this unit with the simulation, "Urban City's Uproar."

Condominium Conversion

One of the consequences of rent control in big cities is a phenomenon called "condo conversion." A condominium is a building in which the apartments and the common space are owned rather than rented by the occupants. If you buy a second floor apartment, you are the owner of that apartment, and are responsible for paying any debts (mortgage payments, remodeling loans, utilities) associated with it. As the owner of a condominium, you also pay a homeowner's fee to maintain common grounds shared with others in the building, such as the laundry room, pool, roof, etc. Unlike apartment tenants, the owner of a condominium receives a tax break on home ownership and can deduct the cost of interest payments on his or her mortgage. Condominiums are an attractive alternative to rental housing for an apartment owner or a builder. Let's take an example. Jack Stevens, a builder, owns a 10-acre piece of property on which he can build single family homes, apartments, or condominiums. He could build 40 single family homes in that space. Or he could build 80 luxury townhouse-type condominiums. The 40 homes sell for $100,000 each, so that total sales would be $4 million. If Jack builds condominiums that sell for $100,000 then total sales for the project would be $8 million. In fact the cost of constructing the 80 units would be significantly less than the cost of building the 40 single family homes. The condos will give Jack Stevens a better return on his investment.

Let's take the case of an apartment owner considering condominium conversion. Nancy Lee owns an apartment building with 50 units and an average rent of $400 per unit. If all 50 units are rents, Nancy Lee collects $20,000 a month or $240,000 a year. The annual income of a building is translated into a CAP rate which indicates the actual value of the apartment building. Nancy's buiding is worth $2,400,000

Rentals		
50 apartments X $400 rent	=	$20,000 per month
$20,000 X 12 mos.	=	$240,000 per year
Building value	=	$2,400,000
Condo Conversion		
50 units X $100,000	=	$5,000,000

If Nancy Lee decides to redecorate the apartments and upgrade them for conversion to condominiums, that same building is worth much more. The building must meet zoning requirements and housing requirements for condominuims, such as adequate parking space. Let's assume that Nancy's building meets all government requirements. If she sells each of the 50 units for $100,000, Nancy will get $5 million out of the building rather than $2,400,000.

The problem of low-cost rental housing remains, however. Nancy Lee has just decreased the number of rental units in her city by converting an apartment to condominiums. Most low income people cannot afford the down payment on a condo, thus they must move and seek other rental housing. The housing crisis continues.

READING REVIEW

1. What is a housing crisis?
2. How do supply and demand affect the prices we pay?
3. In a market system, what happens when there is an increase in demand or a decrease in supply?
4. Why didn't the forces of supply and demand operate to solve the housing shortage in the 1970s?
5. What is rent control? What groups of people would be in favor of rent control?
6. Do landlords support rent control? Why or why not?
7. What are condominiums?
8. Would a builder like Jack Stevens make more money or less by building single family homes rather than condos? Explain.
9. Would an apartment owner like Nancy Lee make more or less money from her building if she converted it to condos? Explain.
10. Do you think there are times when rent control should be established by the government? Should rent control be a permanent system rather that a temporary one? Explain your answer.

URBAN CITY'S UPROAR

Introduction

Urban City is a very attractive place to live. There are good job opportunities, many universities, a pleasant climate with recreational options from surfing in the ocean to skiing in the mountains.

But Urban City has a housing crisis. From 1970 to 1980 the vacancy rate (number of empty but available apartments) declined from 5.6% to 2.6%. At the time rents increased an average of 85%. Lower income families were spending a much larger proportion of their income on housing, taking away from needed expenditures on food, clothing, and medical care.

The City Council declared a "housing emergency" and imposed a rent freeze while public hearings were conducted to decide if the city should have rent control. The mayor said, "These housing conditions endanger the health and welfare of our people, especially those on fixed and lower incomes. Families are being pushed out of rental housing and pushed out of the city as they can no longer pay the high rents. Something must be done."

Simulation

You will be part of the rent control hearing in Urban City. Either as a member of the public giving testimony, a member of the city council, or the audience, you will hear the pros and cons of rent control. Use the Decision Guide to help sort out these arguments.

Each member of the class will have one of these roles:

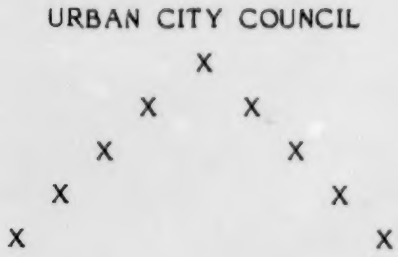
Members of the public giving statements:

- Dr. Lorenzo, Economics Professor
- Mr./Ms. Mason, Urban City Tenants Association
- Mr./Ms. Dalton, Urban City Apartment Association
- Dr. Gordon, Sociology Professor
- Mr./Ms. Larson, Urban City Housing Council
- Mr./Ms. Kubrick, Housing Information and Action Network

Members of the City Council (9 members)

Members of the Public, Audience

Set up the classroom for the hearing:



Speaker X

X X X X X X X X X
X X X X X X X X X

AUDIENCE

Members of the audience may applaud or protest the remarks of the council and those making statements. Unruly behavior, however, will be cause for expulsion from the hearings. Council members may ask questions, but no witness should have more than 5 minutes to make a statement and answer questions.

At the end of all testimony, everyone should choose one of the options at the bottom of the Decision Guide. Then the City Council will announce their vote, which will decide if Urban City will or will not have rent control.

DECISION-MAKING GUIDE

Should Urban City have rent control?

Pros	Cons

I have decided:

1. ( ) We should let the market economy work. Stop the rent freeze. No rent control.
2. ( ) We should not have rent control. We will raise taxes to subsidize low-cost housing for the poor and elderly.
3. ( ) We should have rent control -- rents can increase by a fixed percentage established by rent control board.
4. ( ) We should have a rent control board that decides on a case-by-case basis what rent increase is justified.
5. ( ) Other: _____

Reasons:

VOCABULARY WORKSHEET

Place the correct word next to its definition:

RENT	EVICTION	CONDOMINIUM
LANDLORD	LEASE	RENT CONTROL
TENANT	MARKET SYSTEM	SECURITY DEPOSIT

_____ 1. An economy in which price is determined by competition among buyers.

_____ 2. The price paid for the use of property.

_____ 3. Legal process of expelling a tenant.

_____ 4. A written contract between landlord and tenant.

_____ 5. A building in which apartments are individually owned, or an apartment in such a building.

_____ 6. A person who rents from an owner.

_____ 7. A program administered and enforced by government to restrain rent increases.

_____ 8. The owner of rental property.

_____ 9. Money paid by the tenant to be used to cover damage to the apartment.

List five examples of conflicts that can occur between landlords and tenants:

_____

_____

_____

_____

_____

What are the responsibilities of the landlord?

_____

_____

_____

What are the responsibilities of the tenant?

_____

_____

_____